M

Secti. II-27—100,000—21-5-52.

FINANCE (1948) Department.

MS. SERIES.

G.O. No. 345

Dated 8—4—1948.

211

[Despatch Abstract.]

WAYS AND MEANS - Electricity Reserve Funds - Accounts for 1946-7 - Acceptance - Papers Recorded.

Copy of letter No.W5-103, dated the 22nd December 1947, from the Accountant General, Madras, to the Secretary to the Government of Madras, Finance (Ways & Means) Department, Fort St. George, Madras-9.

Sub: Depreciation and Special Reserve Funds - Electricity.

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I have the honour to forward herewith (1) Statements of accounts of the Depreciation and Special Reserve Funds Electricity and (2) the Investment Accounts thereof for the year 1946-47, and to request you kindly to furnish at a very early date a certificate as to the correctness of the balances at credit of the funds on 31st March 1947 including the face value of the securities held on that date, as shown in the statements.

Depreciation Reserve Fund - Electricity.

(i) PYKARA HYDRO ELECTRIC SYSTEM.

	Rs.	Rs.		
Balance on 1st April 1946:			Amount expended to meet the cost of ordinary renewals and replacements:	
Cash	1,566			
Purchase price of securities held in the Fund:	54,84,899	54,86,465	Balance on 31-3-1947:	
			Cash:	20,429
Amount appropriated from Revenue and other receipts.		8,10,228	Purchase price of securities held in the fund:	62,28,786
		62,96,693		

(ii) METTUR HYDRO ELECTRIC SYSTEM.

Balance on list April 1946:			Amount expended to meet the cost of ordinary renewals and replacements:	
Cash	8,424			
Purchase price of securities held in the fund:	27,32,802	27,41,226	Balance on 31-3-1947:	
			Cash:	490
Amount appropriated from Revenue and other receipts:		5,56,048	Purchase price of securities held in the fund:	32,55,946
		32,97,274		

(iii) PAPANASAM HYDRO ELECTRIC SYSTEM.

Balance on 1st April 1946:			Amount expended to meet the cost of ordinary renewals and replacements:	
Cash:	1,836			
Purchase price of securities held in the fund:	5,67,517	5,69,353	Balance on 31-3-1947:	
			Cash:	3.464
Amount appropriated from Revenue and other receipts:		96,127	Purchase price of securities held in the fund:	6,45,907
		6,65,480		

(iv) ANDHRA POWER SYSTEM.

Balance on 1st April 1946:			Amount expended to meet the cost of ordinary renewals and replacements:	..
Cash	..	...		
Purchase price of securities held in the fund:	..	..	Balance on 31-3-1947:	
			Cash:	15.650
Amount appropriated from Revenue and other receipts.	..	86,000	Purchase price of securities held in the fund:	70,350
		86,000		86,000

Special Reserve Fund - Electricity.

(i) PYKARA.

Rs.		Rs.	Rs.		Rs.	Rs.
	Balance on 1st April 1946: Cash:	15,596		Amount expended to meet the cost of extraordinary renewals and replacements:		
,478	Purchase price of securities held in the Fund:	21,79,614	2195210	Balance on 31-3-1947. Cash:	5,195	
79,215	Amount appropriated from Revenue and			Purchase price of securities held in the Fund;	25,14,106	25,19,301
96,693	other receipts:		3,24,091			
			25,19,301			25,19,301

(ii) METTUR.

	Balance on 1st April 1946: Cash:	8,069		Amount expended to meet the cost of extraordinary renewals and replacements:		12,805
40,838	Purchase price of securities held in the Fund:	9,40,387	9,48,456	Balance on 31-3-1947: Cash	378	
56,436	Amount appropriated from Revenue and			Purchase price of securities held in the Fund:	11,54,492	11,54,870
97,274	other receipts:		2,19,219			
			11,67,675			11,67,675

(iii) PAPANASAM.

	Balance on 1st April 1946; Cash:	4,449		Amount expended to meet the cost of extraordinary renewals and replacements:		...
16,109	Purchase price of securities held in the Fund:	2,20,977	2,25,426	Balance on 31-3-1947: Cash:	11,873	
,49,371	Amount appropriated from Revenue and other Receipts.		35,564 (564)	Purchase price of securities held in the Fund:	2,49,117	2,60,990
,65,180			2,60,990			2,60,990

(iv) ANDHRA POWER SYSTEM.

	Balance on 1st April 1946: Cash:	..		Amount expended to meet the cost of extraordinary renewals and replacements:		..
..	Purchase price of securities held in the fund:	..		Balance on 31-3-1946: Cash:	1,100	
86,00	Amount appropriated from Revenue and other receipts:	1,100	1,100	Purchase price of securities held in the fund:	..	1,100
		1,100	1,000			1,100

P.T.O.

INVESTMENTS - DEPRECIATION RESERVE FUND.

(i) Pykara Hydro Electric System.

	Nominal value. Rs.	Purchase price. Rs.		Nominal value. Rs.	Purchase price. Rs.
Value of securities held by the fund on 1st April 1946:	56,06,800	54,84,899	Value of securities sold during the year:	94,500	1,00,495
Value of securities purchased during the year:	7,70,000	7,73,850	Value of securities on 31-3-1947:	63,80,500	62,58,786
	98,200	1,00,532			
	64,75,000	63,59,281	Total:	64,75,000	63,59,281

(ii) Mettur Hydro Electric System.

Value of securities held by the fund on 1st April 1946:	27,90,400	27,32,802	Value of securities sold during the year:	61,100	64,976
Value of securities purchased during the year	5,20,000	5,22,600	Value of securities on 31-3-47:	33,13,300	32,55,946
	64,000	65,520			
Total.	33,74,400	33,20,922	Total.	33,74,400	33,20,922

(iii) Papanasam Hydro Thermal System.

Value of securities held by the fund on 31st April 1946:	5,67,900	5,67,517	Value of securities sold during the year		
Value of securities purchased during the year.	78,000	78,390	Value of securities on 31-3-1947:	6,45,900	6,45,907
Total..	6,45,900	6,45,907	Total ..	6,45,900	6,45,907

(iv) Andhra Power System.

Value of securities held by the fund on 1st April 1946:	..	..	Value of securities sold during the year:		
Value of securities purchased during the year.	70,000	70,350	Value of securities on 31-3-1947:	70,000	70,350
Total ..	70,000	70,350	Total ...	70,000	70,350

INVESTMENTS
SPECIAL RESERVE FUND: ELECTRICITY.

(i) Pykara Hydro Electric System.

	Nominal value. Rs.	Purchase price. Rs.		Nominal value. Rs.	Purchase price. Rs.
e of securities in the fund st April 1946:	22,27,200	21,79,614	Value of securities sold during the year:	78,000	82,948
e of securities nased during ear:	83,800	85,790	Value of securities on 31-3-1947:	25,63,000	25,14,106
	3,30,000	3,31,650			
	26,41,000	25,97,054	Total:	26,41,000	25,97,054

(ii) Mettur Hydro Electric System.

ie of securities in the fund st April 1946:	9,61,500	9,40,387	Value of securities sold during the year.	85,800	91,243
e of securities chased during year:	2,04,000	2,05,020	Value of securities on 31-3-1947:	11,77,700	11,54,492
	98,000	1,00,328			
Total:	12,63,500	12,45,735	Total	12,63,500	12,45,735

(iii) Papanasam Hydro Thermal System.

e of securities in the fund on April 1946:	2,21,100	2,20,977	Value of securities sold during the year.	..	..
e of securities hased during year.	28,000	28,140	Value of securities on 31-3-1947:	2,49,100	2,49,117
Total..	2,49,100	2,49,117	Total..	2,49,100	2,49,117

GOVERNMENT OF MADRAS.
Finance (Ways and Means) Department.

MEMORANDUM NO.165 W.M.-2, DATED 9TH JANUARY, 1948.

b: Depreciation and Special Reserve Funds - Electricity - Accounts for 1946-47.

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In the accounts for 1946-47 of the Depreciation and Special Reserve Funds of the Electricity Systems, the Accountant General has furnished the following figures:-

(1)	Amount appropriated from Revenue and other receipts. (2) Rs.	Amount expended to meet the cost of renewals and replacements. (3) Rs.
DEPRECIATION RESERVE FUNDS.		
Pykara Hydro Electric System.	8,10,228	17,478
Mettur -do-	5,56,048	40,838
Papanasam -do-	96,127	16,109
Andhra Power System	56,000	--
SPECIAL RESERVE FUNDS.		
Pykara Hydro Electric System.	3,24,091	
Mettur -do-	2,19,219	12,805
Papanasam -do-	35.564	--
Andhra Power System	1,100	--

2. The Chief Engineer for Electricity is requested to furnish a certificate of correctness of the above figures as early as possible.

Sd/- x x
Addl. Dy. Secretary to Government.

To the Chief Engineer for Electricity.

OFFICE NOTE: The Manager, Reserve Bank of India Madras, and the Chief Engineer for Electricity, may be requested to furnish a certificate of correctness of the figures with which they are concerned.

The nominal value of securities held in the several Funds as reported by the A.G. agrees with the figures available in this department. The other details in regard to investments are being checked.

The two drafts above are for approval

P.T.O.

Copy of letter No.149 A/48-3, dated 10th February 1948, from the Chief Engineer for Electricity, Chepauk, Madras, to the Secretary to Government, Finance (Wgys and Means) Department, Madras.

Sub: Depreciation and Special Reserve Funds - Electricity.
Ref: Government Memo No.165 WM-2, dated 9-1-1948.

The figures contained in the Government Memo have been checked and found to be correct.

Copy of letter No.W.5.AA.202, dated the 16th March 1948, from the Accountant General, Madras, to the Auditor General of India, Simla.

Sub: Depreciation and Special Reserve Funds-- Electricity - Opening of certain additional minor heads.

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I have the honour to invite a reference to Auditor General's letter No.405.Ac/77-38, dated the 14th April 1938 in which sanction was accorded to the opening of certain Major and Minor heads connected with Depreciation and Special Reserve Funds of Electricity Projects as proposed in this office letter No.W.M.Pyk.9.1/497, dated the 18th March 1938. In actual working, it has been found necessary to open a few more minor heads mentioned in the following paragraphs for the reasons stated against each.

2. ~~Gain~~ Gain or loss on realisation of securities.

During the year 1946-1947 certain securities held in the funds were sold at a gain and the amount realised by the sale including gain was credited to the head "Sale of securities". This has resulted in the closing balance of the fund accounts as on the 31st March 1947 being shown at a figure which is less than the actual purchase price of the securities remaining unsold. According to normal commercial practice as also the procedure already prescribed in respect of sales of securities from the Famine Relief Fund (Vide Foot-note 333 on page 156-List of Major & Minor Heads of Account) only the purchase price of the securities should be credited to the head "Sale of securities" in the Investment Account and the gain or loss, as the case may be, separately adjusted under the head "Gain on realisation of securities" on the receipts side and "Loss on realisation of securities" on the payments side will, therefore, have to be opened under both Depreciation and Special Reserve Funds-Electricity. Necessary readjustment will be made in the accounts of 1947-1948.

The minor heads "Gain on realisation of securities"

3. "Other Receipts".

Besides contributions from the revenues of an Electricity system to the Depreciation and Special Reserve Funds, which are allocated under the minor head "Contributions

from the Revenue Account", the Fund accounts are not infrequently credited with other receipts e.g. (i) scrap value of replaced assets; (ii) when assets are transferred from one system to another, the depreciation contributed to the Reserve Fund of the issuing system up to the end of the year preceding the year of transfer is also transferred to the receiving system and credited to the Reserve Funds of the latter system. In order to distinguish such receipts from contributions proper of the system concerned, it is proposed to open a minor head "Other Receipts" under both "Depreciation and Special Reserve Funds-- Electricity"

I request the sanction of the Auditor General to the opening of minor heads mentioned above.

No.W.5.A.A.203, dated 16th March 1948.

Copy forwarded to the Secretary to the Government of Madras, Finance (Ways and Means) Department, Fort St. George, Madras, with reference to their U.O.Note No.165.W&M.3, dated the 30th January 1948. I concur in the view expressed in the U.O.Note but I am unable to give effect straightway to the adjustments suggested therein, in the absence of the minor heads for opening which, the sanction of the Auditor General has now been applied for. A proforma exhibition in the Reserve Fund Account of the gain on realisation of securities and of the correctm purchase price of the securities against the heads "Value of securities sold during the year" and "Value of securities on 31st March 1947" is not possible, as the figures in the Reserve Fund Accounts will not then agree with the figures in the General Accounts. Necessary readjustments will therefore, be made in the accounts for 1947-1948 on receipt of the sanction of the Auditor General to the opening of the minor heads proposed.

Meanwhile it is requested that the figures in the Reserve Fund Accounts may be allowed to stand as shown by this office. A foot-note will, however, be inserted below the investment accounts, explaining that, the amount shown against the head "Value of securities sold during the year" represents the full amount realised by the sale of securities, including gain and that necessary readjustment to show only the purchase price will be made in the accounts for 1947-1948.

The Reserve Fund Accounts are returned herewith.

GOVERNMENT OF MADRAS.

FINANCE (WAYS AND MEANS) DEPARTMENT.

MEMORANDUM NO.165 W & M-4, DATED THE 25TH MARCH 1948.

Sub: Electricity Reserve Funds - Accounts for 1946-47.

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Ref: From the Accountant General, Madras, No.W.5.A.A.103, dated 22nd December 1947.
To the Accountant General, Madras, Finance (Ways and Means) Department U.O.Note No.165 W & M-3, dated 30-1-1948.
From the Accountant General, Madras, No.W.5.A.A.203, dated 16th March 1948.

In the circumstances stated by the Accountant General in his reference last cited, the Government accept the accounts of the Depreciation and Special Reserve Funds Electricity for the year 1946-7 as shown in the statements forwarded with his letter first read above, subject to a foot note being added at the relevant places explaining that the amount shown against the head "Value of securities sold during the year" represents the full amount realised by the sale of securities including gain and that the necessary readjustment to show only the purchase price will be made in the accounts for 1947-8.

Sd/- x x
Secretary to Government.

To the Accountant General, Madras.
Copy to the Chief Engineer for Electricity (with encl.).

(True copy)

GOVERNMENT OF MADRAS.

FINANCE (WAYS AND MEANS) DEPARTMENT.

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U.O.Note No.165 W & M-3, Dated the 30th January 1948.

Sub: Electricity Reserve Funds - Accounts 1946-47 - Certificate of correctness.

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Ref: From the Accountant General, Madras, No.W.5.A.A.103, dated the 22nd December 1947.

The Accountant General, Madras, has sent the accounts of the Electricity Reserve Funds for 1946-7 and has requested that a certificate of correctness of the balances at the credit of the funds on the 31st March 1947 including the face value of the securities held on that date as shown in the statements may be sent to him. The face value of securities held in the funds on the 31st March 1947 has been checked in consultation with the Reserve Bank of India, Madras, and found correct.

2. The Chief Engineer for Electricity has been requested to certify the correctness of the figures relating to the contribution from revenue and the expenditure on renewals and replacements during 1946-7. His reply is awaited.

3. Meanwhile, the accounts were checked with the figures available in this office in regard to the purchase and sale of securities. In the statement showing the 'Investments' of funds, against the item "Value of securities sold during the year" the Accountant General has adopted the sale proceeds instead of the purchase price in respect of the Depreciation Reserve Funds and Special Reserve Funds of the Pykara and Mettur Hydro Electric Systems. The sale proceeds include the 'Gain on realisation of securities' as shown in the statement on page 3 of flag (S). Consequently, the total purchase price of the securities held in the Fund on the 31st March 1947 adopted by the Accountant General is less than the actual purchase price of the securities of the purchase price of remaining securities ie. the gain realized on sales of certain securities has been taken in reduction - c.f. pages 1-2 at flag (S). This reduced purchase price has also been adopted in the main account.

The annual interest receipts on the securities held in the funds are credited as 'Miscellaneous Revenue' under the head "XLI. Receipts from Electricity Schemes". Similarly, the advance interest, if any, paid at the time of purchase of securities is taken in reduction of the interest receipts accounted for in the Revenue section of the accounts. On this analogy, the gain or loss on realisation of securities held in the Electricity Reserve Funds can be taken to the Revenue section of the accounts. But it should be mentioned that the Fund account is debited with the purchase price of the securities even if the rate of purchase happens to be above par. Hence there seems to be no objection to account, as has actually been done, in respect of the transactions of 1946-47. The "Gain on realisation of securities" may however be recorded under a separate detailed head on the receipts side and the "Loss on realisation of securities" (if any, in future) may be shown as a separate detailed head in the disbursements side, as in the case of the transactions relating to the Madras Famine Relief Fund The modifications necessary in the accounts on the above basis have been indicated in pencil on pages 3-5 c.f. & the transaction relating to the gain or loss on realisation of securities within the fund account

(If it is considered that the gain or loss on realisation of securities should be accounted for in the Revenue Section of the accounts, and that this classification should be adopted in respect of the transactions of 1946-47, it will result in a minus cash balance at the end of the year in the Depreciation Reserve Fund of the Mettur Hydro Electric System and the Special Reserve Funds of the Pykara and Mettur Hydro Electric Systems).

4. A copy of the above note together with the relevant statements may be sent to the Accountant General and he may be requested to send a revised account in respect of the Depreciation Reserve Funds and Special Reserve Funds of the Pykara and Mettur Hydro Electric Systems.

Sd/- x x
Secretary to Government.

To the Accountant General, (with enclosures).

(True copy)

From the Chief Engineer for Electricity, No.149-A/48-3, dated 10th Feburary 1948.

The Chief Engineer for Electricity has certified the figures relating to the Contribution from Revenue and the Expenditure on renewals and replacements in respect of the Electricity Reserve Funds for 1946-47 as correct.

2. In this department U.O.note on pages 1-2 above, the Accountant General, Madras, was requested to make certain modifications in the accounts of the Depreciation and Special Reserve Funds of the Pykara and Mettur Hydro Electric Systems. As soon as the revised accounts in respect of these funds are received from the A.G., the necessary certificate of correctness of the accounts of the Funds may be furnished.

Sd/- x x
19-2-48.

From the Accountant General, Madras, No.W.5-A.A.203, dated 16th March 1948.

Please see the copy of the Accountant General's letter to the Auditor General dated the 16th March 1948 on page 17 C.F. suggesting the opening of the necessary minor heads of accommodate the transactions relating to the gain or loss on realisation of securities in the accounts of the Electricity Reserve Funds. In his endorsement on page 18 c.f. The Accountant General has agreed with the view expressed in this department U.O.Note dated the 30th January 1948 that the gain or loss on realisation of securities should be shown under a separate minor head. He, however, considers that a pro forma exhibition in the Reserve Fund Account of the gain (or loss) on realisation of securities and of the correct purchase price of the securities against the heads "Value of Securities sold during the year" and "Value of Securities ~~sold during the year~~ on the 31st March 1947" is not possible, as the figures in the Reserve Fund Accounts will not then agree with the figures in the General Accounts, and suggests that the accounts may be allowed to stand as shown in the statements on pages 3-5 c.f. with a foot note as at A on page 18 c.f.

The minor heads proposed to be opened by the Accountant General are generally recognised minor heads and they could have been opened by the Accountant General himself in anticipation of sanction of the Auditor General, so that the accounts for 1946-7 itself. It has, however, been ascertained from the Accountant General's office, that even that would involve several further adjustment entries between the Fund Accounts and general accounts which it is now too late to carry out. In the circumstances stated, the matter need not be pursued further. A draft Memorandum is submitted.

Sd/- x x
Secretary to Government.

(Issued as Memo 165 W & M-4, dated 25-3-48).

P.T.O.

This file relates to the furnishing of a Certificate of correctness of the accounts of the Electricity Reserve Funds for the year 1946-7. The accounts furnished by the A.G. were accepted subject to certain remarks in Memorandum No.165 W & M-4 dated 25th March 1948. The accounts will be exhibited correctly in the Finance Accounts for 1947-8. These papers may, for facility of future reference, be recorded as a G.O.

G.O.No.345 Ms., Finance, dated 8th April 1948.

ABSTRACT.

WAYS AND MEANS - Electricity Reserve Funds - Accounts for 1946-7 - Acceptance - Papers recorded.

R E C O R D E D.

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(True copy)

Superintendent,
MADRAS RECORD OFFICE.

KRVD.24.6.

Copy of letter No.W5., dated 21st May 1948; from the Accountant General, Madras, Madras, to the Secretary to the Government of Madras, Finance (Ways and Means) Department, Fort St. George, Madras.

Sub: Electricity Reserve Funds - Gain/Loss on realisation due to sale of securities held in the fund - Opening of minor heads.

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In continuation of this office letter W5 AA 203 dated 16-3-1948 on the above subject I have the honour to state that the sanction of the Auditor General has since been received to the opening of the minor heads detailed in the above letter and that necessary instructions to carry out the following adjustments have been issued to the divisional officers concerned.

P.Deposits and Advances - Part II Deposit not bearing interest (B) Reserve Funds.

Depreciation Reserve Fund - Electricity Receipts.

Investment account sale of securities.	Pykara Hydro Electric Scheme/Mettur Hydro Electric Scheme.	(-) 8708--1--6 (-) 4792--8--6
Gain on realisation of securities.	Pykara H.E.Scheme. Mettur H.E.Scheme.	8708--1--6 4792--8--6

Special Reserve Fund - Electricity Receipts.

Investment of account sale of securities.	Pykara H.E.Scheme. Mettur H.E.Scheme.	(-)6823-11--0 (-)7074-14--0.
Gain on realisation of securities.	Pykara H.E.Scheme. Mettur H.E.Scheme	6823-11--0 7074-14--0

(True copy)

Superintendent,
Madras Record Office.

KRVD.23.6.

2-1-46